



Department of Defense Purchase Card Program Management Office

20 Jul 98

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MEMORANDUM
FOR

SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEF OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES
DIRECTOR, DEFENSE MANPOWER DATA CENTER

SUBJECT:

Purchase Card Program Reengineering Implementation
Memorandum #6: Streamlined Payment Practices

I have long supported efforts to streamline operations and reduce costs in the Department by implementing the government-wide commercial purchase card for purchases and payments at or below \$2,500.

A recent review of Defense Finance and Accounting Service (DFAS) commercial invoice processing data indicates that there are still 4.6 million commercial invoice payments made annually that could be eliminated if the purchase card were used as the payment vehicle. For example, in January 1998 DFAS processed nearly 217,000 payments made on contracting instruments, nearly 83,000 inter-/intra-government payments, over 65,000 miscellaneous payments, and over 17,000 training payments valued at or below \$2,500 that were not on the commercial purchase card. DFAS has estimated that moving these payments to the purchase card could save the Department millions annually -- savings that are needed to modernize and maintain our fighting forces.

I recognize that many of you are currently reviewing your business processes to broaden acceptance of the purchase card; however, I believe more must be done. Specifically, I direct the following:

- The Under Secretary of Defense (Personnel and Readiness) shall issue Department-wide policy by August 15, 1998, directing expedited use of the purchase card as the method of payment for all training requests using the DD Form 1556 valued at or below \$25,000, and all medical services and Nonappropriated Fund payments valued at or below \$2,500 when determined to be appropriate and cost effective.
- The Under Secretary of Defense (Acquisition and Technology) and the Purchase Card Program Management Office (PMO) shall develop Department-wide policy by October 1, 1998, requiring the use of the purchase card to pay for goods and services purchased using standard contracting instruments such as Standard Form 1449 and the DD Form 1155, valued at or below \$2,500. This policy shall address contracts, purchase orders, blanket purchase agreements, basic ordering agreements, and orders under task and delivery order contracts. It will also address bills of lading, and stock fund transactions. USD(A&T) will also work with the General Services Administration to develop policies that further the use of the purchase card to pay for goods and services available on Federal Supply Schedules.
- The Under Secretary of Defense (Comptroller) will issue Department-wide policy

by September 15, 1998, requiring the use of the purchase card for all Military Interdepartmental Purchase Requests (DD-448) valued at or below \$2,500.

- Each DoD Component will ensure that the commercial purchase card is used whenever feasible as the payment vehicle for all goods and services valued at or below \$2,500. Components using electronic commerce/electronic data interchange systems that result in a more cost-effective payment process must develop a business case analysis for each system which must be forwarded to me, through the Director, DFAS by August 31, 1998, for approval. Components must also forward to me, through the Purchase Card PMO, by August 31, 1998, an assessment of any operational requirement that precludes full implementation of the purchase card. You are to provide me a report, through the Director, DFAS and the Purchase Card PMO, by October 1, 1998, of your purchase card program accomplishments.
- The Director, DFAS shall provide a monthly report to the Purchase Card PMO, with copies to me and the Under Secretaries for Acquisition and Technology, Personnel and Readiness and Comptroller, of the quantities and sources of commercial invoice payments at or below \$2,500. The reporting will begin no later than October 1, 1998. On a quarterly basis, this report will include an analysis of the payments by type and source. The Director, DFAS in conjunction with the affected DoD Component will conduct 100 percent audits of commercial invoice transactions at up to three installations per Military Department and the Defense Logistics Agency beginning in July 1998.

Until we expand the use of the purchase card, the Department will be unable to achieve the savings projected in the Quadrennial Defense Review and reduce the associated costs of our financial transactions. Therefore, I expect everyone in the Department to support the expedited expansion of the purchase card program. For further information, contact the Purchase Card Program Manager, Mr. Bruce Sullivan, at (703) 681-7564.

//signed//
John J. Hamre



Department of Defense Purchase Card Program Management Office

25 Sep 98

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DIRECTOR OF ADMINISTRATION AND
MANAGEMENT
DIRECTORS OF THE DEFENSE
AGENCIES

SUBJECT: Use of Government-Wide Purchase Cards

In support of Deputy Secretary Hamre's direction to expedite use of the government-wide purchase card, I am directing that the purchase card be the method of payment for training requests, medical services, and certain purchases made with Nonappropriated Funds. This policy is to be implemented no later than October 1, 1998.

The government-wide purchase card shall be used as the method of payment for all commercial training requests using DD Form 1556 valued at or below \$25,000. Components are encouraged to issue a government-wide purchase card to those authorized to obligate and expend funds by means of the DD Form 1556. This form may be used for any currently authorized purpose, but shall cite the purchase card as the method of payment.

All medical services valued at or below \$2,500 shall be procured using a government-wide purchase card unless it is determined to be inappropriate or not cost effective. The Medical Prime Vendor Program and the DoD Medical Electronic Catalog (ECAT) Program are two examples where the use of the purchase card may not be cost effective. Because of the wholesale pricing of medical products and low-cost electronic fund transfers, the purchase of medical supplies and equipment through these programs are often more effective than use of the government-wide purchase card.

Government-wide purchase cards shall not be used to purchase medical services in the following circumstances: the purchase involves a controlled substance or narcotic; the purchase must be supported by the submission of a Health Care Summary Record (HCSR) to document the nature of care

Health Care Summary Record (HCSR) to document the nature of care purchased; the ultimate price of the medical care is subject to an independent determination *that changes the price paid based on application of a mandatory CHAMPUS Maximum Allowable Charge (CMAC) determination* that reduces the government liability below billed charges; where the government has already entered into a contractual arrangement with a contractor to pay for health care services without the use of a purchase card; and when the purchaser is a beneficiary seeking medical care.

DoD Nonappropriated Fund Instrumentalities (NAFIs) will use the government-wide purchase card or other preexisting commercial credit card for goods and services procured with nonappropriated funds (NAF) valued at or below \$2,500 when appropriate and cost effective. DoD NAFIs will accept the government-wide purchase card in activities where personal credit cards or other purchase cards are accommodated.

Questions of a functional nature (i.e., training) should be referred to the P&R office with cognizance over the program area. Any specific questions about the government-wide purchase card, however, should be directed to agency program coordinators or the Purchase Card Management Office at (703) 681-7564.

//signed//

Rudy de Leon



Department of Defense Purchase Card Program Management Office

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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
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DIRECTOR, ADMINISTRATION AND MANAGEMENT
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DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Streamlined Payment Practices for Awards/Orders Valued at or below the Micro-Purchase Threshold

In accordance with Purchase Card Program Reengineering Implementation Memorandum #6 dated July 20, 1998 (attached), I am issuing policy regarding the use of the purchase card to pay for goods and services valued at or below \$2,500. Policy memoranda on micro-purchases dated March 20, 1997, and September 26, 1997, are hereby canceled and superseded by this policy memorandum.

A written determination by a member of the Senior Executive Service (SES), Flag Officer, or General Officer is required for any type of award/order valued at or below \$2,500 that does not use the purchase card on a stand-alone basis or as the method of payment. This policy includes both commercial and non-commercial items. It includes contracts, purchase orders (including SF-44s), orders under task and delivery order contracts, orders under basic ordering agreements, and calls against blanket purchase agreements. The written determination must state that the source or sources available for the supply or service do not accept the purchase card and that the contracting activity is seeking a source that accepts the purchase card. To prevent mission delays, if an activity does not have a resident SES member, Flag Officer, or General Officer, the authority to make this determination may be delegated to the level of the senior local commander or director.

A written determination is not required: (1) if an exception for an electronic commerce/electronic data interchange (EC/EDI) system or operational requirement is approved by the Deputy Secretary of Defense in accordance with the procedures in Purchase Card Program Reengineering Implementation Memorandum #6; (2) if the place of performance is entirely outside of any State, territory, or possession of the United States, the District of Columbia, and the Commonwealth of Puerto Rico; (3) in the case of SF-44s, for aviation fuel or oil purchases; overseas transactions by contracting officers in support of a contingency operation as defined in 10 U.S.C. 101(a)(13) or a humanitarian or peacekeeping operation as defined in 10 U.S.C. 2302(7); transactions in support of intelligence and other specialized activities addressed by part 2.7 of Executive Order 12333; or training exercises in preparation for overseas contingency, humanitarian, or peacekeeping operations; (4) if accommodation checks are used for payment; and (5) for transportation bills. Procedures supporting the transportation procurement and bill payment process, to include invoicing, certification, and payment are being reengineered and validated through prototypes under Management Reform Memorandum (MRM) #15, Reengineering Defense Transportation Documentation and Financial Processes. Policy guidance concerning payment of all transportation-related bills, including bills for movement of Household Goods, will be provided following MRM #15 prototype results and subsequent approval of the MRM #15 implementation plan.

Awards/orders valued in excess of the micro-purchase threshold shall be structured (e.g., contract line items, delivery schedule, and invoice instructions) to minimize the generation of invoices valued at or below \$2,500.

These policies are effective for purchases made on or after the date of this memorandum. I ask the Director of Defense Procurement to modify the Defense Federal Acquisition Regulation Supplement to incorporate appropriate coverage for these policies.

//signed//

Dave Oliver
Principal Deputy

Attachment:
As stated